

# FDIC State Profile

Winter 2004

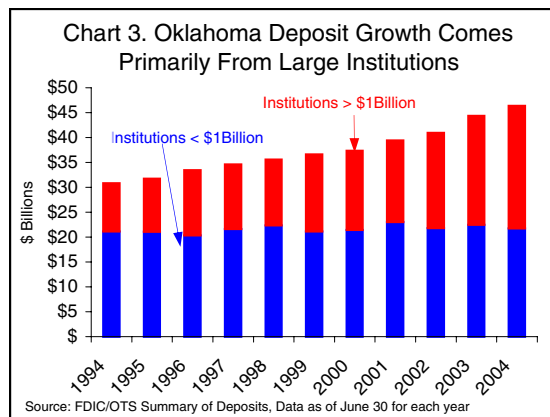
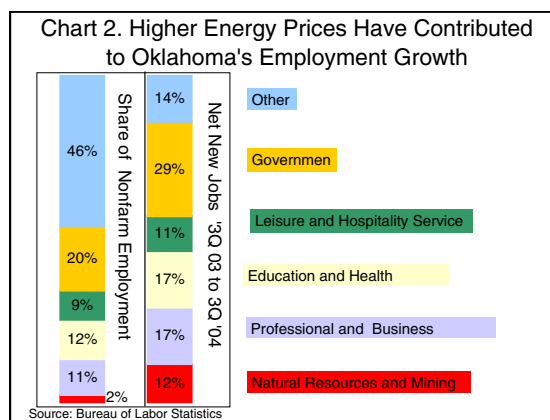
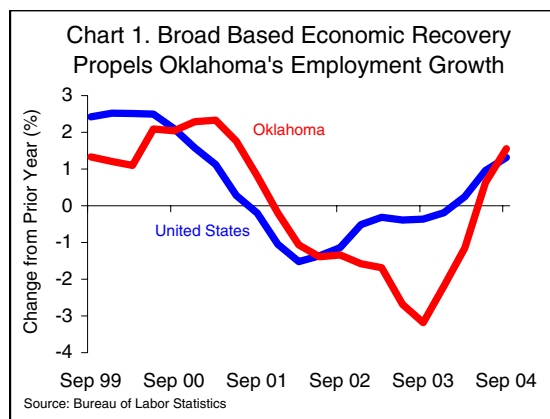
## Oklahoma

Broad-based employment gains reveal an economy that is clearly expanding.

- Oklahoma job growth, which has trailed the nation since 2002, showed modest and improving growth in third quarter 2004, advancing 1.6 percent on a year ago basis (See Chart 1).
- Job creation, which will average about half a percent in 2004, will accelerate in 2005 to about one and a half percent according to private and government employment forecasts.
- Continued expansion of U.S. and global economies, high energy prices, increased investment in information technology, and a moderate rebound in manufacturing activity will lead the way for improved state economic performance in 2005.
- This outlook should benefit Oklahoma's struggling metropolitan areas. Currently, **Oklahoma City** is marginally outperforming the state in employment growth, while the state's other four major metropolitan areas are ranked in the bottom half for performance in the U.S.

**Higher energy prices have benefited the Oklahoma economy.**

- Oklahoma's energy sector is contributing mightily to the state's job performance. Aided by high oil and gas prices, Oklahoma's natural resources and mining sector employment grew 8.5 percent on a year ago basis in third quarter 2004, adding 2,500 jobs.
- Although total employment in this sector is slightly more than 2 percent of all nonfarm jobs statewide, it accounted for 12 percent of Oklahoma's job growth between third quarter 2003 and third quarter 2004 (See Chart 2).
- Moreover, because this is a high wage sector, spillover effects will benefit other areas of the state's economy, such as professional and business services and the government sector. High energy prices are forecast through next year, keeping this industry in the forefront of the state's expansion.



## State Profile

Several key areas in Oklahoma are exhibiting below average population trends.

- All metropolitan areas, with the exception of Oklahoma City, are exhibiting lackluster population growth rates when compared to the state.
- **Enid** has experienced a trend of depopulation for the past five years. Depopulation poses a threat to an area because the “critical mass” necessary to maintain economic viability may be jeopardized. Depopulation increases the per capita cost of providing government, infrastructure, education, and health care.
- Overall, rural areas in Oklahoma have maintained a minimal level of population growth. However, roughly half of the counties are losing population and face the same problems as Enid.

**Oklahoma bank deposit and branch growth remain steady.**

- As of June 30, 2004, total deposits in Oklahoma grew to \$46.3 billion, ranking 33rd in the U.S.
- Rapid branch growth occurred in the late 1990s as local banks sought to protect their market share from large out-of-state banks. Since then, demand for new branches has subsided consistent with a slowing state economy. Oklahoma posted the fourth most rapid rate of branch growth in the nation (3.8 percent compounded annualized growth rate) for the five-year period ending June 30, 2004. However, the branch growth rate for the most recent one-year period rose just 2.5 percent, 24th fastest in the U.S. Deposit growth rates for that same period placed Oklahoma among the middle group of states.
- While small banks (less than \$1 billion in assets) have maintained a steady level of deposits, large banks (both in state and out-of-state) have experienced the lion’s share of deposit and office growth (See Chart 3).
- Compared to rural counties, metropolitan areas increased their share of total state branches to 55 percent as of June 30, 2004, up from 50 percent in 1994. Likewise, deposits in metro areas now represent 64 percent of total state deposits, up 7 percentage points during the same period.

**Oklahoma insured institutions continue to report impressive results.**

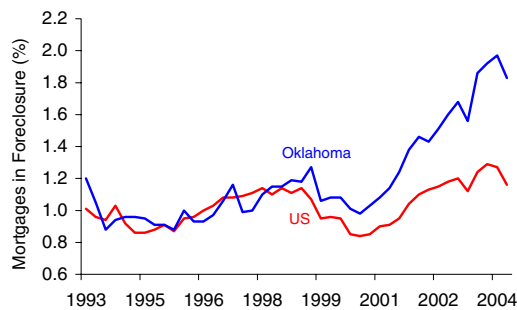
- Despite a struggling economy, Oklahoma financial institutions continued to perform well during the first nine months of 2004, turning in the highest average return on asset values in a decade. For the period ending September 30, 2004, only 1.8 percent of Oklahoma banks and thrifts were unprofitable, one-third the U.S. rate.

- Credit quality has also improved as evidenced by ten-year low past-due and charge-off rates, but the state’s median past-due ratio still ranks second highest in the nation.

**Consumer fundamentals continue to exhibit some signs of weakness, but insured institution credit quality has not been affected.**

- Oklahoma residential real estate continues to show signs of stress as single-family mortgage foreclosures remain among the highest in a decade and substantially above the national average (See Chart 4).
- Oklahoma insured institutions reported stable residential loan past-due rates that were below national levels. However, rising mortgage foreclosure rates could be an area to watch, especially if long-term interest rates rise.
- Already among the highest levels in a decade, Oklahoma per capita bankruptcy rates continued to increase, ranking ninth nationally. Moreover, modest employment growth does not suggest a quick recovery. If short-term interest rates move higher, consumer cash flow will most likely be affected negatively.
- Despite these trends, Oklahoma consumer past-due and charge-off rates have fallen over the past several years and remain below the national averages. However, the upward trend in consumer debt service burdens and bankruptcy filings suggests that consumer credit quality is an area to watch going forward.

Chart 4. Oklahoma Foreclosure Rates Improved in the Second Quarter, But Remain High



## Oklahoma at a Glance

<b>General Information</b>	<b>Sep-04</b>	<b>Sep-03</b>	<b>Sep-02</b>	<b>Sep-01</b>	<b>Sep-00</b>
Institutions (#)	273	278	280	290	301
Total Assets (in thousands)	55,556,481	55,786,735	54,741,556	52,155,136	48,205,999
New Institutions (# < 3 years)	3	3	3	3	6
New Institutions (# < 9 years)	13	13	13	12	12
<b>Capital</b>	<b>Sep-04</b>	<b>Sep-03</b>	<b>Sep-02</b>	<b>Sep-01</b>	<b>Sep-00</b>
Tier 1 Leverage (median)	9.70	9.44	9.43	9.17	9.35
<b>Asset Quality</b>	<b>Sep-04</b>	<b>Sep-03</b>	<b>Sep-02</b>	<b>Sep-01</b>	<b>Sep-00</b>
Past-Due and Nonaccrual (median %)	2.31%	2.45%	2.81%	2.55%	2.44%
Past-Due and Nonaccrual >= 5%	39	46	53	55	52
ALLL/Total Loans (median %)	1.24%	1.31%	1.26%	1.28%	1.28%
ALLL/Noncurrent Loans (median multiple)	1.37	1.22	1.45	1.45	1.38
Net Loan Losses/Loans (aggregate)	0.22%	0.28%	0.29%	0.33%	0.31%
<b>Earnings (Year-to-Date Annualized)</b>	<b>Sep-04</b>	<b>Sep-03</b>	<b>Sep-02</b>	<b>Sep-01</b>	<b>Sep-00</b>
Unprofitable Institutions (#)	5	10	15	14	17
Percent Unprofitable	1.83%	3.60%	5.36%	4.83%	5.65%
Return on Assets (median %)	1.30	1.25	1.32	1.21	1.24
25th Percentile	0.91	0.86	0.90	0.82	0.84
Net Interest Margin (median %)	4.47%	4.43%	4.65%	4.48%	4.70%
Yield on Earning Assets (median)	5.76%	6.06%	6.81%	8.16%	8.43%
Cost of Funding Earning Assets (median)	1.27%	1.59%	2.24%	3.65%	3.74%
Provisions to Avg. Assets (median)	0.14%	0.17%	0.18%	0.15%	0.16%
Noninterest Income to Avg. Assets (median)	0.94%	0.94%	0.91%	0.92%	0.85%
Overhead to Avg. Assets (median)	3.25%	3.36%	3.35%	3.30%	3.26%
<b>Liquidity/Sensitivity</b>	<b>Sep-04</b>	<b>Sep-03</b>	<b>Sep-02</b>	<b>Sep-01</b>	<b>Sep-00</b>
Loans to Deposits (median %)	73.26%	68.86%	69.47%	67.74%	68.25%
Loans to Assets (median %)	59.70%	59.04%	59.43%	58.22%	59.33%
Brokered Deposits (# of Institutions)	47	36	27	25	19
Bro. Deps./Assets (median for above inst.)	2.30%	3.29%	3.57%	2.84%	2.97%
Noncore Funding to Assets (median)	19.08%	17.36%	17.15%	16.52%	16.46%
Core Funding to Assets (median)	68.78%	70.45%	70.94%	71.66%	72.43%
<b>Bank Class</b>	<b>Sep-04</b>	<b>Sep-03</b>	<b>Sep-02</b>	<b>Sep-01</b>	<b>Sep-00</b>
State Nonmember	130	128	123	123	126
National	83	89	93	97	103
State Member	55	56	58	62	63
S&L	2	2	2	2	3
Savings Bank	3	3	4	6	6
Stock and Mutual SB	0	0	0	0	0
<b>MSA Distribution</b>	<b># of Inst.</b>	<b>Assets</b>	<b>% Inst.</b>	<b>% Assets</b>	
No MSA	180	17,583,980	65.93%	31.65%	
Tulsa OK	41	18,079,805	15.02%	32.54%	
Oklahoma City OK	40	18,201,500	14.65%	32.76%	
Lawton OK	5	622,947	1.83%	1.12%	
Enid OK	5	803,688	1.83%	1.45%	
Ft Smith AR-OK	2	264,561	0.73%	0.48%	